



Title: Title I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 07-5, California State Income Tax Withholding

Date: April 18, 2007

To: Holders of TAXES (State of California only)
Personnel User Groups
T&A Contact Points in California

Beginning with wages paid for Pay Period 7, the National Finance Center (NFC) will make the following changes to the state of California income tax withholdings:

- The low income exemption amount for Married with zero (0) or 1 allowance and Single will increase from \$10,764 to \$11,271.
- The low income exemption amount for Married with 2 or more allowances and Head of Household will increase from \$21,527 to \$22,542.
- The standard deduction for Married with zero (0) or 1 allowance and Single will increase from \$3,254 to \$3,410.
- The standard deduction for Married with 2 or more allowances and Head of Household will increase from \$6,508 to \$6,820.
- The Single, Married, and Head of Household withholding tables will change.
- The annual personal exemption tax credit will increase from \$87 to \$91.
- The dental and vision insurance program will be added to the nontaxable biweekly Federal Employees Health Benefits Plan payment section.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page (www.nfc.usda.gov) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.

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California State Income Tax Information

State Abbreviation:	CA
State Tax Withholding State Code:	06
Acceptable Exemption Form:	DE-4 or W-4
Basis For Withholding:	State or Federal Exemptions
Acceptable Exemption Data:	S, M, H / Number of Regular Allowances / Number of Allowances
TSP Deferred:	Yes
Special Coding:	Determine the Total Number Of Allowances Claimed field as follows: First Position – Enter the employee's marital status indicated on the allowance certificate. Enter M (married), S (single), or H (head of household). Second and Third Positions – Enter the total number of regular allowances claimed in Item 1 of the DE-4. If less than 10, precede with a zero. If no exemptions are claimed, enter 00. Determine the Additional Exemptions Claimed field as follows: First and Second Positions – Enter the number of allowances claimed in Item 2 of the DE-4. If less than 10, precede with a zero. If no allowances are claimed, enter 00.
Additional Information:	If the employee is using a W-4 in lieu of the California state DE-4, the information for the Additional Exemptions Claimed field should be noted on the W-4.

Withholding Formula ►(Effective Pay Period 7, 2007)◄

1. Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes ►dental and vision insurance program, and◄ flexible spending account – health care and dependent care deductions) from the amount computed in Step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages times 27 to obtain the gross annual wages.
5. Determine if the employee's gross annual wages are less than or equal to the amount shown in the Low Income Exemption Table below. If so, no income tax is to be withheld.

Low Income Exemption Table

Single		Married	Head of Household
	Exemptions	Annual Wages	
\$ ►11,271	0 or 1 ¹	\$ 11,271	\$ 22,542
	2 or more ¹	22,542◄	

¹ Number of **regular** allowances claimed on DE-4 or W-4

6. Determine the **additional withholding allowance for itemized deductions** (AWAID) by applying the following guideline and subtract this amount from the gross annual wages.

AWAID = \$1,000 x Number of **Itemized** Allowances Claimed for **Itemized** Deductions on DE-4 or W-4

7. Subtract the standard deduction shown in the following table from the result of step 6 to determine the taxable income.

Standard Deduction Table

Single	Exemptions	Married Annual Wages	Head of Household
\$ ▶3,410	0 or 1 ¹	\$ 3,410	\$ 6,820
	2 or more ¹	6,820◀	

¹ Number of **regular** allowances claimed on DE-4 or W-4

8. Apply the taxable income computed in step 7 to the following table to determine the annual California income tax withholding.

**Tax Withholding Table
Single**

If the Amount of Taxable Income Is:		The Amount of California Tax Withholding Should Be:			Of Excess Over:
Over:	But Not Over:				
\$ 0	\$ ▶6,622	\$ 0.00	plus	1.0%	\$ 0
6,622	15,698	66.22	plus	2.0%	6,622
15,698	24,776	247.74	plus	4.0%	15,698
24,776	34,394	610.86	plus	6.0%	24,776
34,394	43,467	1,187.94	plus	8.0%	34,394
43,467	999,999	1,913.78	plus	9.3%	43,467
999,999	and over	90,871.26◀	plus	10.3%	999,999

Married

If the Amount of Taxable Income Is:		The Amount of California Tax Withholding Should Be:			Of Excess Over:
Over:	But Not Over:				
\$ 0	\$ ▶13,244	\$ 0.00	plus	1.0%	\$ 0
13,244	31,396	132.44	plus	2.0%	13,244
31,396	49,552	495.48	plus	4.0%	31,396
49,552	68,788	1,221.72	plus	6.0%	49,552
68,788	86,934	2,375.88	plus	8.0%	68,788
86,934	999,999	3,827.56	plus	9.3%	86,934
999,999	and over	88,742.61◀	plus	10.3%	999,999

Head of Household

If the Amount of
Taxable Income Is:

The Amount of California
Tax Withholding Should Be:

Over:	But Not Over:				Of Excess Over:
\$ 0	\$ ▶13,251	\$ 0.00	plus 1.0%	\$ 0	
13,251	31,397	132.51	plus 2.0%	13,251	
31,397	40,473	495.43	plus 4.0%	31,397	
40,473	50,090	858.47	plus 6.0%	40,473	
50,090	59,166	1,435.49	plus 8.0%	50,090	
59,166	999,999	2,161.57	plus 9.3%	59,166	
999,999	and over	89,659.04◀	plus 10.3%	999,999	

9. Determine the tax credit by applying the following guideline and subtract this amount from the result of step 8.

Tax Credit = ▶\$91◀ x Number of **Regular** Allowances Claimed on DE-4 or W-4

10. Divide the annual California income tax withholding by 27 to obtain the biweekly California income tax withholding.